

Research Bulletin

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Changing Service and Support Requirements

As new types of technology products, notably PCs and client/server computing, gain widespread acceptance in the market so they drive the requirements for new types of services and new skills to deliver them.

Three of the most important trends that are affecting the required services and skills mix are examined below:

- The development of an open market for software product support
- The network-centric nature of future customer support and service needs
- The increasing congruence of IT and business process requirements.

Software Support Enters the Open Market

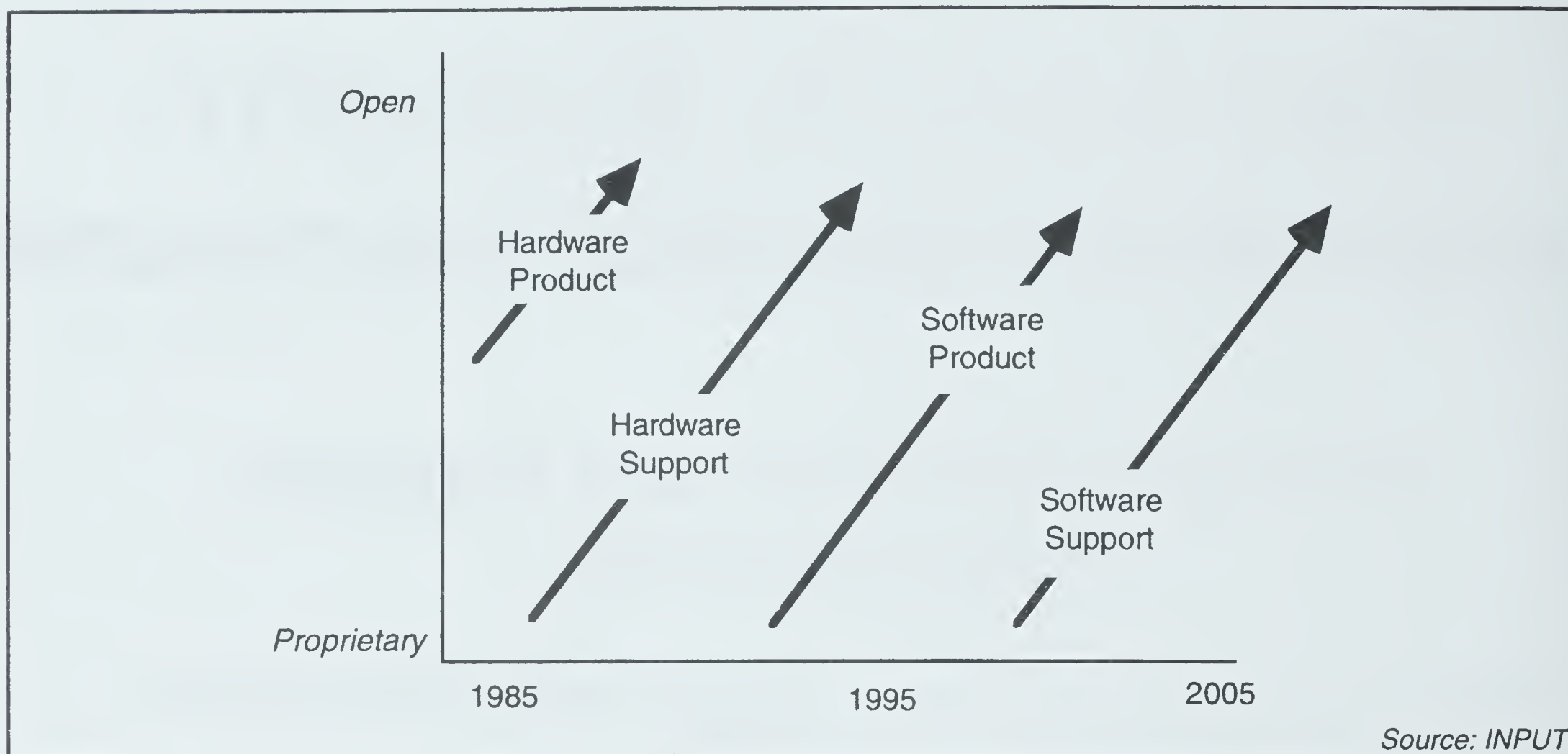
The software products market has grown rapidly over the last fifteen years and has consequently become a key area of focus for many vendors.

At the same time the software product market has changed from being almost exclusively technology driven to one in which customer demand and customer acceptance are the dominant influences.

It now needs to be recognised that software product support is emerging as a clearly identifiable market with *open* characteristics just as hardware markets before have also succumbed to the same competitive and customer pressures. This process is illustrated graphically in Exhibit 1.

Exhibit 1

Software Support Enters the Open Market



In the past there existed a direct relationship between the vendor and the customer. Now the customer's system tends to be built up from a multiplicity of sources, potentially each element requiring support from a different source.

In the proprietary world that dominated the early decades of the IT industry customers paid for conflict resolution in the product price. The vendor integrated the necessary hardware and software components into a working system.

The world of *open systems* and its highly competitive environment and low prices has however shifted the integration burden onto the customer. Customers now pay for conflict resolution in the services that they need for implementing the user's desired solution.

The size of the available opportunities in Europe are indicated in Exhibit 2. In addition to the market for direct product support is also indicated the opportunity for services associated with products.

Exhibit 2

European Software Markets

	Market Size (\$B)	
	1994	1999
Software product sales	22.3	31.7
Software product support	2.9	4.3
Software product-related services	4.0	6.5
Total	29.2	42.5

Source: INPUT

Recent INPUT user research has indicated a significant level of dissatisfaction with the support currently being offered by many vendors and this is frequently expressed as a perception of lack of value for money for the services provided.

Vendors seeking to exploit future software product support opportunities, particularly those generated by desktop users, should focus their support and service capabilities around the following principles:

- Support oriented to user needs not specific products
- A recognition of a multiplicity of different user requirements
- Application of technology support, e.g. bulletin boards, for the provision of support.

Network Support Requirements Set to Dominate User Needs

The continuing acceptance of local area networks (LANs), and the growing

importance of the desktop domain, are changing the dynamics of the information services market.

Whereas support and service needs tended to be based on a centralised computing paradigm, now those needs have spread and diversified throughout the organisation.

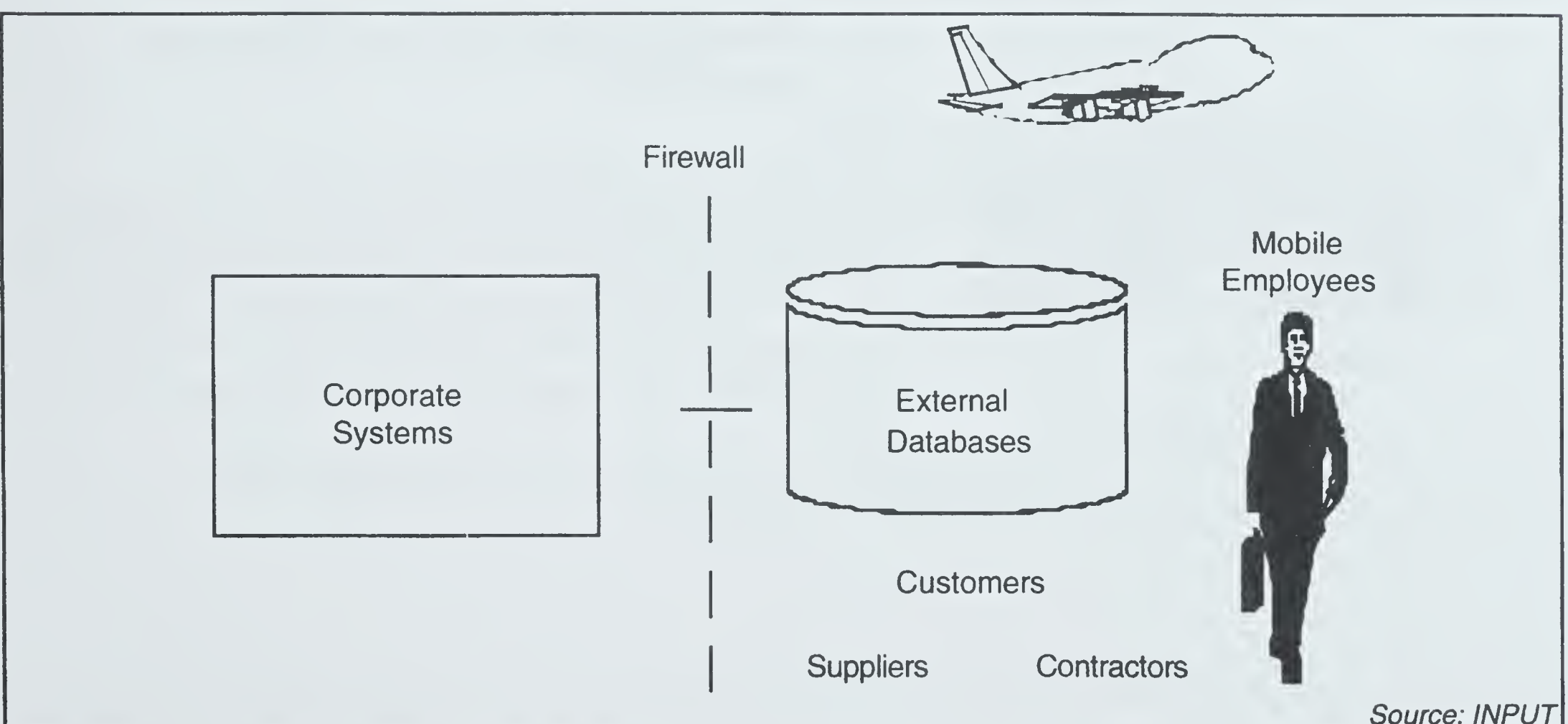
Most corporate network infrastructures are characterised by their lack of coherence and integration. In many cases individual business units have implemented their own local networks which have operated independently of one another.

There is now increasing pressure to integrate these networks on an enterprise-wide scale in order to fully leverage their potential business benefits.

Exhibit 3 indicates in graphic form another major challenge facing organisations, the need to develop inter-enterprise networking as well as intra-enterprise connectivity.

Exhibit 3

Reengineering Enterprise Systems



Source: INPUT

The most important manifestation of this trend is the rapidly expanding use of the Internet and its development for commercial applications.

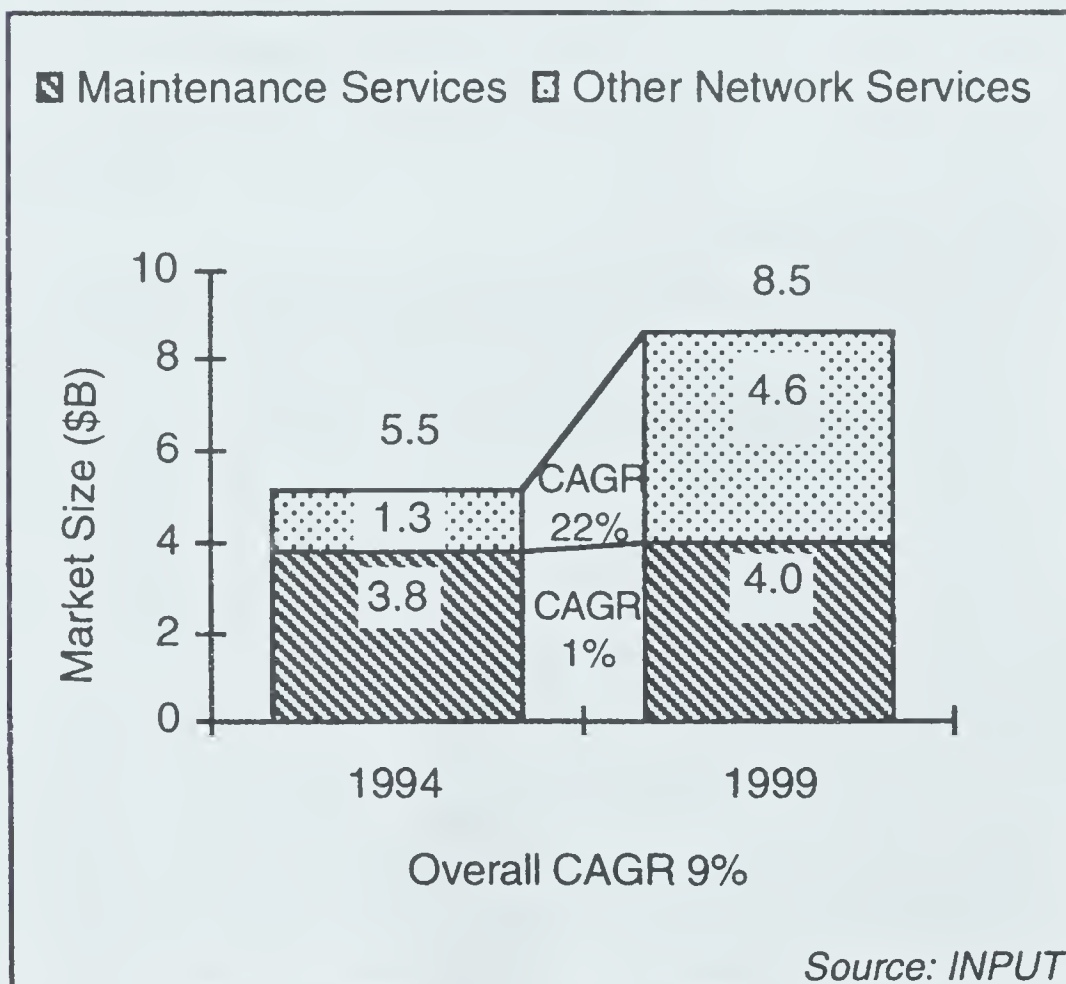
One of the major challenges faced by organisations in this environment is the maintenance of the security and integrity of their data.

Another aspect is the need to appeal to varying levels of customer support and service need. A variety of users will require support, all with different personal requirements as referred to above under software support requirements.

Consequently a fast developing opportunity is now emerging for the outsourcing of these functions, see Exhibit 4

Exhibit 4

Desktop Network Services — Europe



The major growth opportunities lie in the non-product support sectors, for example in the provision of :

- Full network outsourcing
- Network management and monitoring services
- Business continuity services
- Help-desk support services.

The inherent complexity of the network environment is driving the need for the application of new skills and capabilities, many needing to be delivered remotely.

Successful vendors will need to continuously refresh and develop their skill bases and seek strategic agreements with other vendors to obtain access to otherwise unavailable or complementary skill sets.

Careful long range planning will also be required in an environment in which the time to develop real in-depth skills is lengthening and is measured in years not months.

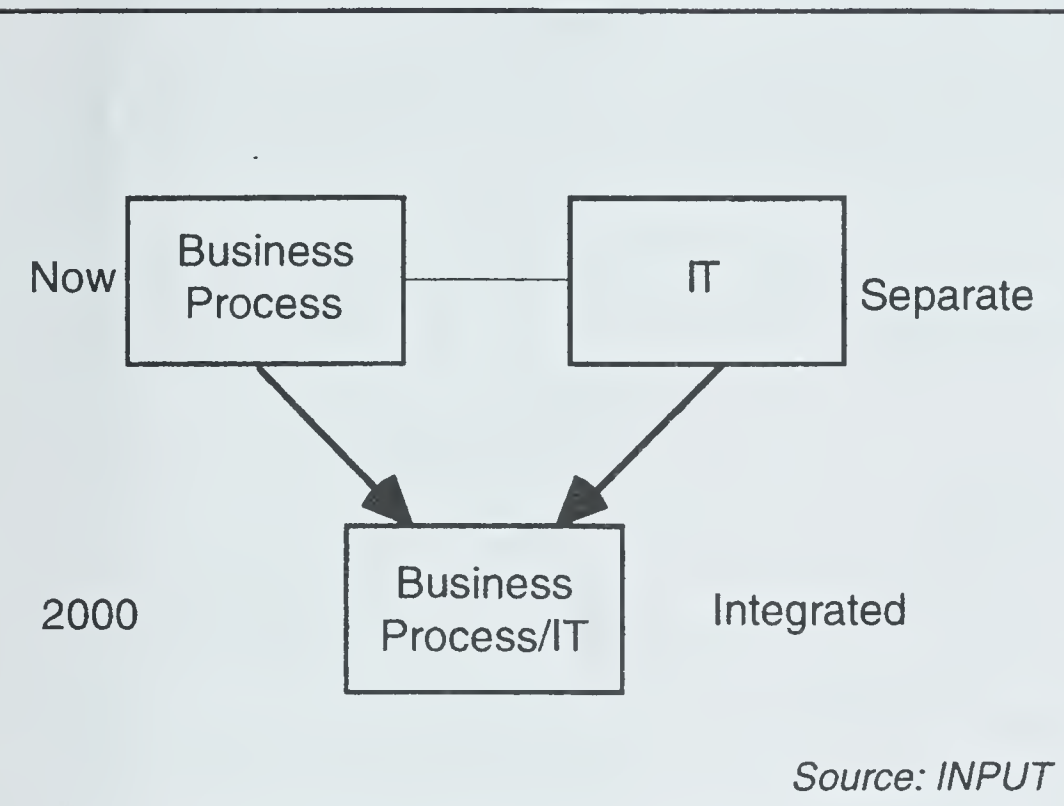
The Integration of IT and Business Processes

One of the most important trends in the development of the services business that will affect the development of new services and new skill requirements is the tendency for IT services to become more and more integrated within the business processes that they serve.

This concept is illustrated graphically in Exhibit 5.

Exhibit 5

Integration of IT and Business Processes



This trend first became of major significance in outsourcing contracts where the vendor was contracted to provide a service defined largely or exclusively in business terms rather than in IT terms, these are defined as business operations. That have been precedents in processing services for such activities as payroll processing and the factoring of invoices.

The first major business operations contract in Europe was between BP Exploration and Andersen Consulting in 1991.

Subsequently this phenomena has manifested itself in numerous other contracts, notably in EDS's KF contract. However, it also manifests

itself at all levels of services contracting as an increased requirement for the vendor to demonstrate industry understanding and knowledge.

This trend is likely to accelerate as the idea of outsourcing non-core processes gains wider acceptance. Organisations' business processes will become separated into core and non-core processes.

Core processes will become the focus of intermittent reengineering efforts. They are therefore likely to require the assistance of a partner with considerable expertise, and preferably world-class practice, in the relevant business process.

Ideally this business process expertise needs to be developed across a range of different industries in order to optimise the likelihood of achieving innovative approaches to the business problem.

Vendors will therefore need to establish skills in business process areas like customer systems, supply chain management and document workflow where hitherto they may have defined their skills in terms of, for example, accounting systems or a payroll package.

Clearly there exists a need for the integration of IT skills and business skills both in terms of the operational and development aspects of the customers' business processes.

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- Customer satisfaction levels
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- Peer position

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